

Message Text

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ACTION ARA-15

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-----011983 131758Z /50
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FM AMEMBASSY PANAMA
TO SECSTATE WASHDC IMMEDIATE 1442

C O N F I D E N T I A L SECTION 01 OF 02 PANAMA 01777

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FOR AMBASSADOR POPPER FROM AMBASSADOR

E.O. 12065: GDS 03/13/85 (MOSS, A.H.) OR-M
TAGS: PBOR, PN
SUBJ: TREATY IMPLEMENTATION: MEETING WITH GOP POLICY
GROUP

REFS: (A) PANAMA 1090; (B) PANAMA 1567; (C) STATE 40154

1. (C - ENTIRE TEXT)
2. MONDAY AFTERNOON I MET WITH GABRIEL LEWIS, ROMULO ESCOBAR BETHANCOURT, FERNANDO MANFREDO, CARLOS OZORES, JIMMY ARIAS, AND EDUARDO TEJEIRA AT LEWIS' HOUSE.
3. AS REPORTED PREVIOUSLY, I HAD EXPECTED TO FIND ONLY LEWIS AND OZORES. UPON ENTERING, THOUGH, LEWIS EXPLAINED THAT THE MATTERS WE WERE DISCUSSING WERE VERY POLITICAL AND SAID IN A SOMEWHAT INDIRECT WAY THAT NOTHING WOULD GO FORWARD WITHOUT GENERAL TORRIJOS' OWN APPROVAL. HENCE, HE SAID, IT WAS ESSENTIAL TO HAVE ROMULO ESCOBAR IN ON THESE DISCUSSIONS, AS HE REPRESENTED THE INTERESTS OF THE GENERAL.

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4. A GREAT DEAL OF THE MEETING HAD TO BE DEVOTED TO BRINGING ESCOBAR AND ARIAS UP TO DATE WITH THE CONGRESSIONAL PROBLEM RE CONTINGENT PAYMENT AND RETROACTIVE TAXATION. ARIAS WAS NOTABLY UNHELPFUL, AS HE STILL ADVOCATES THE VIEW THAT PANAMA HAS THE RIGHT TO TAX CANAL ZONE BUSINESSES RETROACTIVELY, NOTWITHSTANDING ART.IX. HE BASES HIS THEORY ON THE NOTION THAT THE TREATY OF 1903 IS AN EXCEPTION TO

ART.IX, AND SINCE, IN HIS VIEW, THAT TREATY WOULD ALLOW PANAMANIAN FISCAL AUTHORITY OVER CANAL ZONE BUSINESSES, THE 1977 TREATY CHANGES NOTHING IN THAT RESPECT. I DISTRIBUTED A PAPER THE EMBASSY HAD PREPARED ON THE NEGOTIATING HISTORY OF ART.IX PARA 1, AND TOLD THE GROUP THAT CARLOS LOPEZ-GUEVARA AGREED WITH IT. THERE WAS GENERAL ACKNOWLEDGEMENT OF THAT FACT.

5. ROMULO ESCOBAR SPOKE AT SOME LENGTH TO THE EFFECT THAT THE GOP NEED NOT BE SO WORRIED ABOUT WHAT THE US CONGRESS THOUGHT, SINCE ITS ROLE NOW WAS STRICTLY LIMITED TO IMPLEMENTING THE TREATY, WHICH HAD ALREADY BEEN AGREED UPON AND COULD NOT BE CHANGED.

6. I EXPLAINED WHY IT WAS IN PANAMA'S INTEREST TO PAY SOME ATTENTION TO WHAT THE CONGRESS THOUGHT AND DID. I SAID THAT IN THE VIEW OF THE MOST IMPORTANT HOUSE COMMITTEE, A GOP OFFICIAL HAD APPEARED TO CONTRADICT THE VERY TEXT OF TWO IMPORTANT ELEMENTS OF THE TREATY. I SAID THAT PANAMA'S CREDIBILITY WAS AT STAKE AND THAT A CLARIFICATION WAS NOT SOMETHING THAT THE USG WAS ASKING FOR AS A CONCESSION, BUT SOMETHING THAT THE GOP NEEDED TO REPAIR THE DAMAGE TO ITS OWN IMAGE. ONE OF MY PROBLEMS IN GETTING THIS IDEA ACROSS WAS THAT LEWIS WAS THE ONLY PERSON WHO HAD ACTUALLY READ THE MURPHY COMMITTEE TRANSCRIPT, WHICH I HAD MADE AVAILABLE AND HAD URGED THAT THEY READ.
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7. IT WAS FINALLY AGREED THAT THE CLARIFICATION ON THE FINANCIAL POINTS WOULD BE MADE AND THAT THE LAST DRAFT I DISCUSSED WITH CARLOS LOPEZ-GUEVARA, WITH A MINOR MODIFICATION, WOULD BE THE BASIS OF THE CLARIFICATION SUBJECT TO FINAL REVIEW. I ALSO LEFT A DRAFT OF A NOTE WE MIGHT DISCUSS CONCERNING THE REMOVAL OF PORT EQUIPMENT (TEXTS BEING SENT SEPTEL).

8. THERE WAS CONTINUED RELUCTANCE, HOWEVER, TO EXCHANGE NOTES OF CLARIFICATION NOW, DESPITE IMPENDING MARKUP. ESCOBAR HELD FORTH THE NOTION THAT SINCE THERE WERE A NUMBER OF ITEMS PENDING TO BE CLEARED UP, PER THE FONMINY NOTE OF MARCH 6, ALL OF THESE OUGHT TO BE DONE AT THE SAME TIME. PRINCIPAL IN THE MINDS OF SEVERAL PRESENT WERE TUGBOATS, LIQUORS, SOCIAL SECURITY, AND THE BROADER ASPECTS OF MOVEABLE PROPERTY. I ADVOCATED THE VIEW THAT A PROPER DISCUSSION OF THESE TOPICS WOULD TAKE SOME TIME, AND THAT IN MANY CASES (I CITED TUGBOATS AND PUBLIC SERVICES EQUIPMENT AS EXAMPLES) THE PROPER SOLUTIONS WERE REALLY MORE OF AN ACCOUNTING PROBLEM. ESCOBAR EVENTUALLY AGREED WITH THE VIEW THAT OWNERSHIP OF THE TUGBOATS WAS NOT THE IMPORTANT

ISSUE, BUT THE PROVISION OF TUG SERVICES. ARIAS WAS HELPFUL IN POINTING OUT THAT A TIME-SHARING PLAN COULD BE WORKED OUT UNDER WHICH THE COSTS OF THE TUGS WOULD BE BORNE BY THE SHIP USING THE SERVICES, AND PAID TO THE COMMISSION, IN THE CASE OF CANAL TRANSIT, OR TO THE PORT AUTHORITY, IN THE CASE OF USE IN THE PORTS. IN THIS MANNER, THE PORT AUTHORITY WOULD HAVE THE FUNDS TO REIMBURSE THE COMMISSION.

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BURSE THE COMMISSION.

9. THE GROUP AGREED THAT MOST OF THESE POINTS COULD BE DEALT WITH AS WE PROCEEDED IN DIPLOMATIC, AND LATER TECHNICAL, DISCUSSIONS. ARIAS AND MANFREDO, HOWEVER, JOINED LATER BY ESCOBAR, INSISTED THAT SOCIAL SECURITY PAYMENTS BE A TOPIC FOR IMMEDIATE CLARIFICATION, ALONG WITH THE ITEMS RAISED IN DISCUSSION WITH MURPHY COMMITTEE. ARIAS AND MANFREDO HAD APPARENTLY BEEN TALKING TO RICARDO FABREGA, AND INVEIGHED IN STRONG TERMS AGAINST THE U.S. INTERPRETATION THAT CAPITALIZED CONTRIBUTIONS DID NOT INCLUDE ACCUMULATED INTEREST. THEY SAID THAT THEY WERE PREPARING A PAPER ON THIS SUBJECT. WE AGREED TO MEET AGAIN THURSDAY AFTERNOON.

10. COMMENT: SEVERAL THINGS ARE EVIDENT FROM THIS MEETING. FIRST, ONLY LOPEZ-GUEVARA TAKES REALLY SERIOUSLY THE CONGRESSIONAL PROBLEM WHICH MANFREDO CAUSED. THE OTHERS (EXCEPT POSSIBLY ARIAS) FULLY RECOGNIZE THAT MANFREDO WAS WAY OFF BASE, BUT ARE NOT PREPARED TO GET ALL THAT EXCITED ABOUT IT. SECONDLY, ROYO'S PREVIOUS RELUCTANCE TO GO

FORWARD WITH AN EXCHANGE OF NOTES ON THE TAX QUESTION IS
BECOMING MORE EXPLAINABLE IN TERMS OF THE DIVERSE POLITI-
CAL PRESSURE AT WORK AND THE PRESENCE OF TORRIJOS NOT VERY
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FAR IN THE BACKGROUND. HIS APPROVAL IS APPARENTLY NEEDED
FOR ANY MATTER CONCERNING TREATY IMPLEMENTATION. THIRD,
THE FINANCIAL AND TAX PEOPLE ARE FEELING THE PINCH OF WHAT
THEY LOST IN THE TREATIES (RETROACTIVE TAXATION, DUTIES ON
LIQUOR IMPORTS) AND ARE FOCUSING THEIR ATTENTION ON OTHER
ISSUES SUCH AS MOVEABLE PROPERTY AND SOCIAL SECURITY,
WHICH, ALTHOUGH OF LOWER FINANCIAL IMPORTANCE, ARE BEING
PORTRAYED AS QUESTIONS OF PRINCIPLE. WORKING ALL OF THIS
OUT IS GOING TO REQUIRE SOME PATIENCE. IN PARTICULAR, THE
SOCIAL SECURITY ISSUE WILL BE EXTREMELY DIFFICULT TO RE-
SOLVE IN FAVOR OF U.S. VIEW, AS INDICATED REFTELS, UNLESS
WE CAN PRESENT BETTER ARGUMENTS THAN WE HAVE NOW. FINALLY,
IT WAS LOPEZ-GUEVARA'S VIEW THAT THE MOST USEFUL ROLE HE
COULD PLAY WOULD BE TO RETURN TO WASHINGTON AND TRANSMIT
CONGRESSIONAL SENTIMENT BACK HERE. A LOT WILL DEPEND ON
HOW WELL HE DOES IT. MOSS

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